The Office of the Clerk of Courts Audit Report For the period January 2003 through December 2005

Richard W. Towcimak Beaver County Controller

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RICHARD W. TOWCIMAK CONTROLLER



VINCENT LaVALLE DEPUTY CONTROLLER ROBERT LEWIS, JR. SOLICITOR

BEAVER COUNTY COURTHOUSE THIRD STREET – BEAVER, PENNSYLVANIA 15009-2196 TELEPHONE: Area Code 724-728-5700

February 15, 2006

Judy R. Enslen Clerk of Courts Beaver County Courthouse Beaver, PA 15009

Dear Ms. Enslen:

We have audited the financial records of the Clerk of Courts for the period of January 1, 2003 through December 31, 2005 and have issued our report thereon dated February 15, 2006.

We conducted our audit in accordance with generally accepted governmental auditing standards. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial records are free of material misstatements.

Based upon our review, we have made the following findings and recommendations as detailed in this report.

Richard W. Towcimak Beaver County Controller

Scope and Objectives

Audit Scope:

January 1, 2003 through December 31, 2005

Audit Objectives:

The following objectives were performed during the audit:

- Prepare financial statements for the years reviewed
- Ensure that funds held in escrow are adequate
- Evaluate controls over the checking account
- Evaluate controls over cash
- Evaluate controls over general office procedures
- Ensure that receipts are applied properly, deposited in a timely manner, and disbursed to the proper payees
- Ensure that proper documentation is maintained in the case files
- Ensure that constable related costs are proper and have been accurately applied to defendant's case files
- Ensure that income due Beaver County was properly recorded and remitted
- Evaluate the controls over purchasing and the administration of the budget
- Ensure that reports and funds due to the Commonwealth are correct and remitted in a timely manner

Clerk of Courts Statement of Revenue and Expenditures January 1, 2003 through December 31, 2003

Balance January 1, 2003		\$ 308,214.24
Income:		
Beaver County	\$ 968,765.73	
PA Department of Revenue	544,494.09	
Bail, Escrow, Refunds, & Restitution	476,186.58	
Municipalities	123,011.03	
Beaver County Prothonotary	14,091.05	
Clerk of Courts Automation	©	
Cicik of Courts Automation	11,227.57	
		2 127 776 05
Dishuusaaaata		2,137,776.05
Disbursements:		
Beaver County	\$ 977,663.39	
PA Department of Revenue	541,787.67	
Bail, Refunds, & Restitution	492,730.85	
Municipalities	125,710.14	
Beaver County Prothonotary	14,341.00	
Clerk of Courts Automation	11,305.57	
		(2,163,538.62)
Adjustments:		
NSF Adjustment	\$ 3,749.00	
Interest Adjustment	(56.13)	
		3,692.87
Balance December 31, 2003		\$ 286,144.54

Clerk of Courts Statement of Revenue and Expenditures January 1, 2004 through December 31, 2004

Balance January 1, 2004		\$ 286,144.54
Income:		
Beaver County	\$ 872,414.56	
PA Department of Revenue	588,742.27	
Bail, Escrow, Refund & Restitution	571,070.02	
Municipalities	110,562.14	
Beaver County Prothonotary	9,512.80	
Clerk of Courts Automation Fee	7,620.46	
Interest income	1,948.20	
*		2 1 61 070 15
		2,161,870.45
Disbursements:		
Beaver County	\$ 751,078.42	
PA Department of Revenue	517,203.37	
Bail, Refund, & Restitution	514,292.51	
Municipalities	97,533.72	
Beaver County Prothonotary	9,636.36	
Clerk of Courts Automation Fee	6,738.52	
Bank Charges	 1,516.97	
		(1,897,999.87)
Adjustments:		
Void Checks	\$ 850.76	
		850.76
Balance December 31, 2004		\$ 550,865.88

Clerk of Courts Statement of Revenue and Expenditures January 1, 2005 through December 31, 2005

Balance January 1, 2005		\$ 550,865.88
Income:		
Beaver County	\$ 1,011,878.02	
PA Department of Revenue	589,989.37	
Bail, Escrow, Refund & Restitution	491,211.51	
Municipalities	119,451.94	
Beaver County Prothonotary	4,850.45	
Clerk of Courts Automation Fee	7,719.18	
		2,225,100.47
Disbursements:		
Beaver County	\$ 1,132,431.90	
PA Department of Revenue	658,131.89	
Bail, Refund, & Restitution	472,603.42	
Municipalities	135,272.06	
Beaver County Prothonotary	4,921.92	
Clerk of Courts Automation Fee	8,870.21	
		(2,412,231.40)
Adjustments:		¥
Prior Period Void Checks	\$ 18,558.28	
Return Deposit not Entered on CPCMS	(350.00)	
	(350.00)	18,208.28
Balance December 31, 2005		\$ 381,943.23

THE OFFICE OF THE CLERK OF COURTS NOTES TO THE ACCOUNTING STATEMENTS FOR THE PERIOD JANUARY 1, 2003 THROUGH DECEMBER 31, 2005

Note 1: <u>Summary of Significant Accounting Policies</u> - The Office of the Clerk of Courts reports on the cash basis of accounting. Under the cash basis of accounting revenues are recognized when received and expenses recognized when the disbursement is made.

Note 2: <u>Infocon Corporation Software</u> - The Infocon System was the computerized system used by the Office of the Clerk of Courts in 2003 for the preparation of all receipts accepted by the office personnel. These receipts were the source documentation for the daily deposits and were also the basis for the allocation of funds collected to the proper payees.

Note 3: The Common Pleas Criminal Court Management System - The Common Pleas Criminal Court Management System (CPCMS) was the computerized system used by the Office of Clerk of Courts beginning February 9, 2004. This system is maintained by the Commonwealth of Pennsylvania for the statewide administration of criminal cases brought before the court. Receipts processed are the source documentation for daily deposits and are also the basis for the allocation of funds collected to the proper payees.

RICHARD W. TOWCIMAK CONTROLLER



VINCENT LaVALLE DEPUTY CONTROLLER ROBERT LEWIS, JR. SOLICITOR

BEAVER COUNTY COURTHOUSE
THIRD STREET – BEAVER, PENNSYLVANIA 15009-2196
TELEPHONE: Area Code 724-728-5700

February 15, 2006

Mrs. Judy R. Enslen Clerk of Courts Beaver County Courthouse Beaver, PA 15009

Report on Internal Controls

We have audited the records of the Office of the Clerk of Courts for the period January 1, 2003 through December 31, 2005, and have issued our report thereon.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial records are free of material misstatement.

In planning and performing our audit of the Office of the Clerk of Courts for the period January 1, 2003 through December 31, 2005 we considered the office's internal control structure to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and the office's compliance with applicable regulations and not to provide assurance on the internal control structure.

The management of the office is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements are required to assess

the expected benefits and related costs of internal control structure policies and procedures. The objective of an internal control structure is to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statement in accordance with prescribed policies. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, future reliance on any evaluation of the structure, past or current, is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation. Additionally, we assessed control risk for the internal control structure. Compliance with applicable laws and regulations was considered when assessing control risk for the internal control structure.

We noted certain matters involving the internal control structure and its operation that we consider reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the office's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce, to a relatively low level, the risk that material errors or irregularities affecting the financial statements being audited may occur and not be timely detected by employees in the normal course of performing their assigned functions.

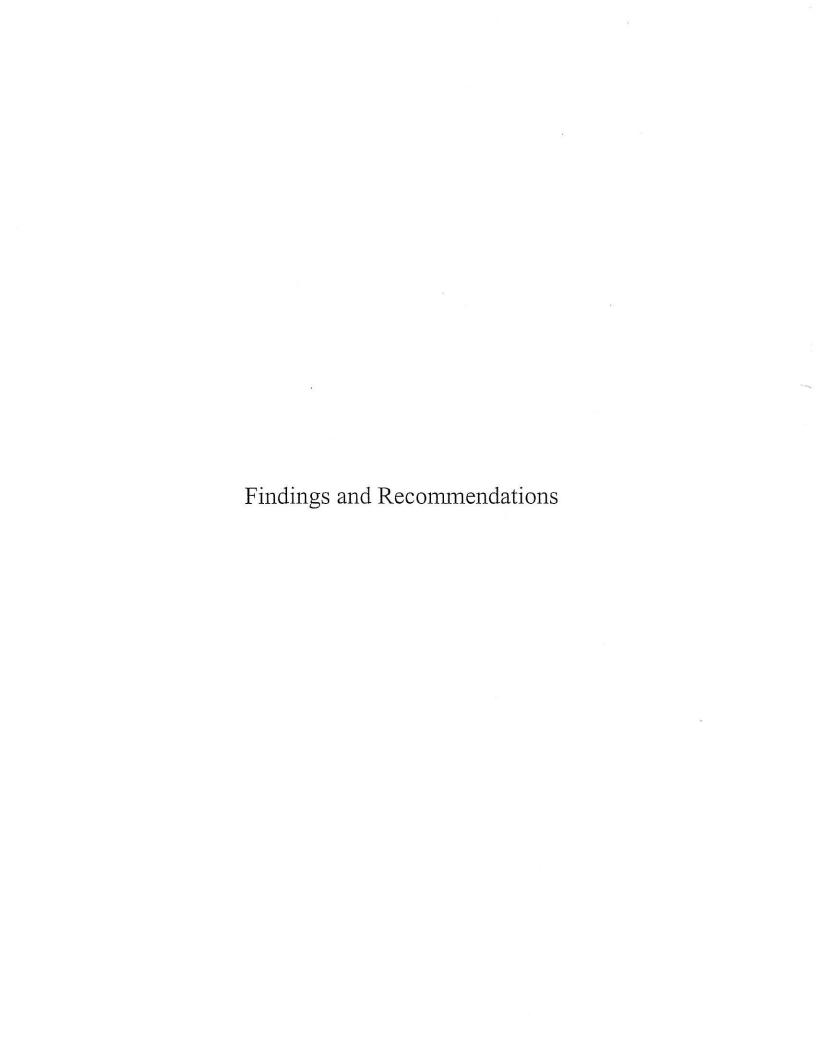
Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses as defined above. However, we noted the following:

- The system checking account balance was not being properly reconciled to the bank statement
- The Undisbursed Escrow Report was not being reviewed
- Manual receipting procedures needed to be strengthened
- Constable's payments processed through the Controller's Office did not contain system entry verification
- Change fund cash was co-mingled with personal funds

These weaknesses are discussed in detail in the findings section of this audit report.

This report is intended solely for the information and use of management, the Office of the Controller, and others within the administration. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Richard W. Towcimak Beaver County Controller



Finding 1: The checking account balance was not being properly reconciled to the bank statement

The Common Pleas Criminal Court Management System (CPCMS) month end book balance was not being timely or properly reconciled to the bank statement. The Audit revealed the following:

- 1. An accurate outstanding check listing was not being maintained; therefore long outstanding checks were not being tracked or reviewed for proper clearing or escheating. One hundred sixty checks totaling \$7,943.50 with dates ranging from July 2002 through February 2004 were not recognized as outstanding checks at the time of audit review in October 2005. Also, an additional 77 checks totaling \$4,188.03 which were more than a year old remained on the outstanding check listing and had not been escheated.
- 2. Bank charges for administrative fees were not accurately tracked for reimbursement or consistently entered onto the computer system. At the request of the Clerk of Courts, National City Bank would reverse administrative charges. No request for reimbursement was made to National City for administrative charges from May through November 2004 totaling \$804.79. In May the fee was entered onto the CPCMS in such a way that Beaver County reimbursed the \$121.94 fee. The remaining fees totaling \$682.85 incurred from June through November 2004 had not been obtained from any source. After audit inquiry, because the bank account had been moved to Sky Bank and the Clerk of Courts no longer maintained a banking relationship with National City Bank those remaining service fees were paid by Beaver County. January 2004 services charges totaling \$187.22 were not entered onto either the old or the new computer system although the reimbursement of this charge was obtained from National City Bank and was recorded on CPCMS.
- 3. Two double payments were noted, each for \$175.00.
 - a. Check #49054 dated 6/5/2002 was reported as lost in July 2002 and a replacement check #49374 was issued and cashed by the payee at that time. In March 2005, National City Bank accepted the original check #49054 which was by that time stale dated. Reimbursement of the funds was neither received from National City Bank for the stale dated check nor from the defendant for the double payment.
 - b. Check #54956 dated 11/17/2004 was voided and reissued in December 2003 on the Infocon system. The replacement check #55202 cleared the bank in January 2004. The original check #54956 was voided a

second time on CPCMS in July 2004 and a second replacement check #57593 was issued. The second check was cashed in August 2004 and was not recognized as a double payment by the Clerk of Courts staff.

- 4. Return deposit adjustments for NSF checks which were accepted for deposit by the Clerk of Courts were not consistently handled or followed to assure collection of the funds.
 - a. One check totaling \$50.00 returned in July 2004 was inadvertently omitted from processing.
 - b. Five checks totaling \$267.50 were entered onto the system twice in February and March of 2005.
 - c. An NSF check for \$685.35 was incorrectly entered as \$685.38 in August 2005.
 - d. An incorrect adjustment was made on 8/22/2005 to reverse a return item deposit adjustment properly made on April 8, 2004 for a \$5.00 NSF check.
- 5. Bank fees charged for return deposits were not accurately tracked for reimbursement or consistently entered onto the computer system. Sky Bank charges \$8.00 for processing return deposit items. Upon Clerk of Courts request these fees were reversed by Sky Bank. Three return item fees totaling \$24.00 were entered onto CPCMS for return items processed by Sky Bank from February through August 2005. Actual fees for that period totaled \$424.00 for which \$408.00 had been adjusted by the bank. No tracking was done to assure that all NSF fees were adjusted by the bank.
- 6. Interest income for January 2004 totaling \$47.84 was inadvertently omitted on both the old and new computer systems and was therefore not transmitted to the county. An entry error caused June 2004 interest totaling \$173.41 to be omitted from the transmittal to the county.
- 7. A \$45.00 receipt was erroneously voided in January 2004.

Recommendation:

The CPCMS account balance should be reconciled to the bank account balance monthly. Reconciliation of the system checkbook balance to the bank statement would highlight errors and omissions and assure that the funds held in the bank accounts are sufficient to cover escrow liability. Without this accountability, errors in the distribution of funds or misuse of funds could go undetected.

Procedures should be developed and consistently applied for the handling of interest earnings, outstanding checks, stale dating of checks, NSF return deposit checks, and bank charges. The required corrections were made to the CPCMS system per auditor request.

Finding 2: The Undisbursed Escrow Report was not being reviewed

The escrow report was not being periodically reviewed to determine resolution for aged or unusual entries. As of December 31, 2005, 36 entries to Credit-Unknown Recipient totaling \$1,342,783.25 and 56 entries to Debit-Unknown Recipient totaling \$1,337,247.38 were noted which were processed between June 2004 and December 2005. The "Unknown Recipient" category should be used to classify escrow funds temporarily until a recipient can be identified.

As of December 31, 2005 \$668.00 collected for \$1.00 Bonds with receipt dates ranging back to February 2004 remained un-disbursed in escrow.

Recommendation:

The escrow funds report should be reviewed periodically and an effort should be made to determine proper distribution or resolution on long outstanding open amounts and unusual entries. Corrections were made per auditor request.

Finding 3: Manual receipting procedures needed to be strengthened

Manual receipting procedures established for periods of computer downtime needed to be strengthened. Manual receipts were not used in sequential order, void receipts were not clearly marked, the computer generated replacement receipt numbers were not referenced on the manual receipt log, and the manual receipt numbers were not consistently referenced on the computer.

Recommendation:

Procedures should be strengthened for controlling manual receipting during periods of computer downtime. These procedures, at a minimum should require:

- -a supply of pre-numbered receipts is available for computer downtime
- -a log is maintained of all issued and un-issued manual receipts
- -the log and manual receipts are kept in a secured location
- -receipts are issued in strict sequential order
- -void receipts are clearly marked void, with the reason for the void and the individual responsible for the void documented
- -manual receipts are entered onto the computer system as soon as possible
- -the manual receipt number and computer replacement receipt number are cross referenced.

Finding 4: Constables payments processed through the Controller's Office did not contain system entry verification

Constable bills are submitted to the Controller's Office for payment with the expectation that the funds will be collected from the defendant at a later date. The amount of the Constable's fee is to be entered onto the case with Beaver County indicated as the recipient of these collections. The verification of this computer entry was not attached to the payment request submitted to the controller's office.

Recommendation:

Computer entry verification should be attached to transmittals to assure that the county is reimbursed when funds are collected from the defendants.

Finding 5: Change fund cash was co-mingled with personal funds

The \$8.75 assigned to each cash drawer was inadequate for daily transactions. Through discussions with the Clerk of Courts personnel it was determined that personal funds were often used for the change needed during the receipting process.

Recommendation:

Personal funds should not be co-mingled with county funds. The change fund associated with each cash drawer should be increased to sufficiently allow for daily transactions. These funds should be verified daily and a record should be maintained by individual to document any un-resolvable cash overages or shortages. A standard method should be developed for replenishing change funds and a record should be maintained documenting the periodic independent count of these funds.

An exit conference was held on February 21, 2006 at the Office of the Clerk of Courts for the purpose of discussing the items presented in this report. Those in attendance were:

The Office of the Clerk of Courts

Judy Enslen – Clerk of Courts

Beaver County Controller's Office

Cheryl Spagnola - Auditor

The results of the audit were discussed in their entirety during this conference.

A form has been enclosed with this report to be completed by the Clerk of Courts. This form restates all observations noted in the audit. The Clerk of Courts is requested to complete the corrective action section for each finding. If no corrective action is planned or has been taken please state this. Return this form to the Office of the Controller within thirty days of receipt. This form will be incorporated and become a part of this report. As a part of the Office of the Controller's normal reporting procedure, a copy of this report along with your responses will be posted in the Controller's section of the Beaver County website.

TELEPHONE: 724-728-3934, EXT. 11323

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THERESA ANTONIAZZI CHIEF DEPUTY STEPHEN COLAFELLA SOLICITOR

BEAVER COUNTY COURTHOUSE

ROOM 207 • 810 THIRD STREET • BEAVER, PENNSYLVANIA 15009-2193

March 15, 2006

Richard W. Towcimak Beaver County Controller Beaver County Courthouse 810 Third Street Beaver, PA 15009

Dear Controller Towcimak:

Enclosed please find the Audit Response for the Audit Period of January 2003 Through December 31, 2005, for the Clerk of Courts Office.

I would like to take this opportunity to commend auditor Cheryl Spagnola in the professional manner in which she conducted this audit. Mrs. Spagnola proved to be a tremendous asset in assisting me with problems I have faced since the Administrative Office of Pennsylvania Courts installed the new CPCMS system. Since Beaver County was one of the first 20 counties to have the CPCMS system installed, we were one of the "guinea pigs" for the state, which caused my staff and I many hours of anguish over problems we are, and were experiencing. The time Mrs. Spagnola spent assisting me in correcting our bank account is greatly appreciated. Thank you for having such a dedicated staff.

Sincerely yours,

Judy R. Enslen Clerk of Courts

Recommendation:

The CPCMS account balance should be reconciled to the bank account balance monthly. Reconciliation of the system checkbook balance to the bank statement would highlight errors and omissions and assure that the funds held in the bank accounts are sufficient to cover escrow liability. Without this accountability, errors in the distribution of funds or misuse of funds could go undetected.

Procedures should be developed and consistently applied for the handling of interest earnings, outstanding checks, stale dating of checks, NSF return deposit checks, and bank charges. The required corrections were made to the CPCMS system per auditor request.

Corrective Action Implemented by the Clerk of Courts:

As of March 13, 2006, all reconciliations to date, have been completed accurately and balance to the Bank Statement. The AOPC (Administrative Office of Pennsylvania Courts), had been working with me prior to the time of the Audit, to correct problems I had been experiencing withe the Bank Reconciliations, and other financial problems. Up to the time of the audit, I had numerous conversations with the AOPC covering some of the findings. In particular is the problems we experienced with the money which shows as legacy payments, but did not migrate correctly into the CPCMS system. I personally will handle all Bank Reconciliations and will ensure all findings will be corrected.

Date Corrective Action Was Implemented:

March 13, 2006

Finding 2: The Undisbursed Escrow Report was not being reviewed

The escrow report was not being periodically reviewed to determine resolution for aged or unusual entries. As of December 31, 2005, 36 entries to Credit-Unknown Recipient totaling \$1,342,783.25 and 56 entries to Debit-Unknown Recipient totaling \$1,337,247.38 were noted which were processed between June 2004 and December 2005. The "Unknown Recipient" category should be used to classify escrow funds temporarily until a recipient can be identified.

As of December 31, 2005 \$668.00 collected for \$1.00 Bonds with receipt dates ranging back to February 2004 remained un-disbursed in escrow.

Recommendation:

The escrow funds report should be reviewed periodically and an effort should be made to determine proper distribution or resolution on long outstanding open amounts and unusual entries. Corrections were made per auditor request.

Corrective Action Implemented by the Clerk of Courts:

The Credit Unknown Recipient totaling \$1,342.778.25 was entered by the AOPC during our "go live" date of 2/9/04. This figure was to be representative of migrated data and does not reflect that the Clerk of Courts is "holding" undisbursed funds in this amount. By the same token, the AOPC used the Debit-Unknown category, in much the same fashion, for migrated data entries. However, I will not that some funds were held in these categories, due to having been expunged and there are no identifiers to re-release stale check refunds to them. These unidentified funds have now been released to the County.

Pertaining to the \$1.00 bonds, under the Infocon system, these monies were automatically transferred to Beaver County, upon receipt. Unknown to me, these monies were held in escrow. I have now revised our receipting procedures to apply these monies as miscellaneous fees which will allow for the monies to automatically be moved to the County's master check each month. All \$1.00 bonds were transferred to Beaver County in the middle of February 2006.

Date Corrective Action Was Implemented:

February 2006

Finding 3: Manual receipting procedures needed to be strengthened

Manual receipting procedures established for periods of computer downtime needed to be strengthened. Manual receipts were not used in sequential order, void receipts were not clearly marked, the computer generated replacement receipt numbers were not referenced on the manual receipt log, and the manual receipt numbers were not consistently referenced on the computer.

Recommendation:

Procedures should be strengthened for controlling manual receipting during periods of computer downtime. These procedures, at a minimum should require:

- -a supply of pre-numbered receipts is available for computer downtime
- -a log is maintained of all issued and un-issued manual receipts
- -the log and manual receipts are kept in a secured location
- -receipts are issued in strict sequential order
- -void receipts are clearly marked void, with the reason for the void and the individual responsible for the void documented
- -manual receipts are entered onto the computer system as soon as possible
- -the manual receipt number and computer replacement receipt number are cross referenced.

Corrective Action Implemented by the Clerk of Courts:

The majority of the errors occured during our "go-live" period. The Collection staff has been instructed to now use the pre-numbered manual receipts which can be generated through CPCMS in groups of 20 (and can on be generated by myself or chief deputy. These receipts were placed into development in the middle of February 2006. Furtherthese receipts are to be used during computer "down-time" only. I have instilled in the collection staff, the importance of the cross referencing of manual receipts and computer generated receipts and staff has been instructed to place the manual receipt and computer receipt in defendant's file.

Date Corrective Action Was Implemented:

February 21, 2006

Finding 4: Constables payments processed through the Controller's Office did not contain system entry verification

Constable bills are submitted to the Controller's Office for payment with the expectation that the funds will be collected from the defendant at a later date. The amount of the Constable's fee is to be entered onto the case with Beaver County indicated as the recipient of these collections. The verification of this computer entry was not attached to the payment request submitted to the controller's office.

Recommendation:

Computer entry verification should be attached to transmittals to assure that the county is reimbursed when funds are collected from the defendants.

Corrective Action Implemented by the Clerk of Courts:

When the Clerk of Courts went live with CPCMS, we were unable to print from the collections assessment screen, as we were in the Infocon System. The auditor has instructed the collection's staff on how to copy from CPCMS to WordPerfect in order to provide verification to be attached to constable payment transmittal.

Date Corrective Action Was Implemented:

February 21, 2006

Finding 5: Change fund cash was co-mingled with personal funds

The \$8.75 assigned to each cash drawer was inadequate for daily transactions. Through discussions with the Clerk of Courts personnel it was determined that personal funds were often used for the change needed during the receipting process.

Recommendation:

Personal funds should not be co-mingled with county funds. The change fund associated with each cash drawer should be increased to sufficiently allow for daily transactions. These funds should be verified daily and a record should be maintained by individual to document any un-resolvable cash overages or shortages. A standard method should be developed for replenishing change funds and a record should be maintained documenting the periodic independent count of these funds.

Corrective Action Implemented by the Clerk of Courts:

Collection staff has been instructed to not use personal funds to make change when cash payments are received. The Controller's Office will be contacted in order to request additional money for the cash drawers start up money to be increased from the current \$8.75 now utilized.

Date Corrective Action Was Implemented:

March 15, 2006

Signature of Elected Officia	1: Audy Amblew
Date:	3-16-06